

B&K

Flash Note

Action Construction Equipment

Craning past momentary headwinds

25 September 2025

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Flash Note | Engineering & Capital Goods | 25 September 2025

Not Rated

Current Price (Rs) : 1,150

Source: Bloomberg, B&K Research

Market Data

No. of Shares (mn) : 119

Free Float (%) : 35

Market Cap (Rs bn) : 137

52-week High/Low (Rs) : 1,600/917

Avg. Daily Volume (6M) : 0 mn

Avg. Daily Value (6M;US\$) : 5.4 mn

Bloomberg Code : ACCE IN

Promoters Holding (%) : 65

FII/DII (%) : 11.50/2.05

Source: Bloomberg, B&K Research

Price Performance

(%)	1M	3M	12M
Absolute	15	(5)	(13)
Relative	14	(13)	(11)

Source: Bloomberg, B&K Research

We visited the manufacturing facility of Action Construction Equipment (ACE) at Palwal, Haryana, followed by management interaction with Mr Sorab Agarwal, WTD, Mr Vyom Agarwal, President and Mr Rajan Luthra, CFO of ACE.

About the company

- ▶ Founded in 1995, ACE is India's leading crane, material handling and construction equipment company. Over three decades, ACE has transformed from a crane-focused enterprise into a diversified player spanning cranes, construction equipment, material handling systems and agri-machinery.
- ▶ The company is widely recognised as the market leader in mobile cranes, with additional presence in tower cranes, forklifts, backhoe loaders, road construction equipment and tractors.
- ▶ ACE's end-user sector exposure can be broadly classified as follows: Manufacturing & Logistics ~45%, Infrastructure ~35%, Agriculture ~7% and Real Estate ~13% and has recently diversified into defence equipment.
- ▶ ACE operates multiple plants in Faridabad and Palwal (Haryana) and has gradually expanded into export markets across Africa, South Asia and the Middle East. The company's products are increasingly aligned with international norms (CEV-5 emission compliance), enabling deeper global market penetration.
- ▶ The company has one of the widest Sales and Service networks, with over 125+ locations supported by 13 regional offices in India and exports to over 37 countries across the Middle East, Africa, Asia and Latin America.
- ▶ Strategically, ACE holds strong significance within India's industrial ecosystem, as it plays a central role in mechanisation and logistics efficiency while positioning itself to benefit from Make in India, defence indigenisation, and the country's infrastructure-led growth model.

Financial summary (Consolidated)

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25
Net sales	12,272	16,296	21,597	29,138	33,271
EBITDA margin (%)	9.7	9.3	10.2	13.8	15.2
EBIT margin (%)	9.8	9.0	11.3	15.7	17.4
Adjusted net profit	798	1,050	1,744	3,282	4,092
EPS growth (%)	52.1	25.4	66.1	88.2	24.7
Cash flow from operations	747	795	2,732	4,153	4,199
RoE (%)	16.5	16.4	20.8	30.6	28.8
RoCE (%)	21.3	21.0	28.0	41.7	39.9
Net debt/equity (x)	0.0	(0.1)	(0.3)	(0.4)	(0.3)

Source: Company, B&K Research

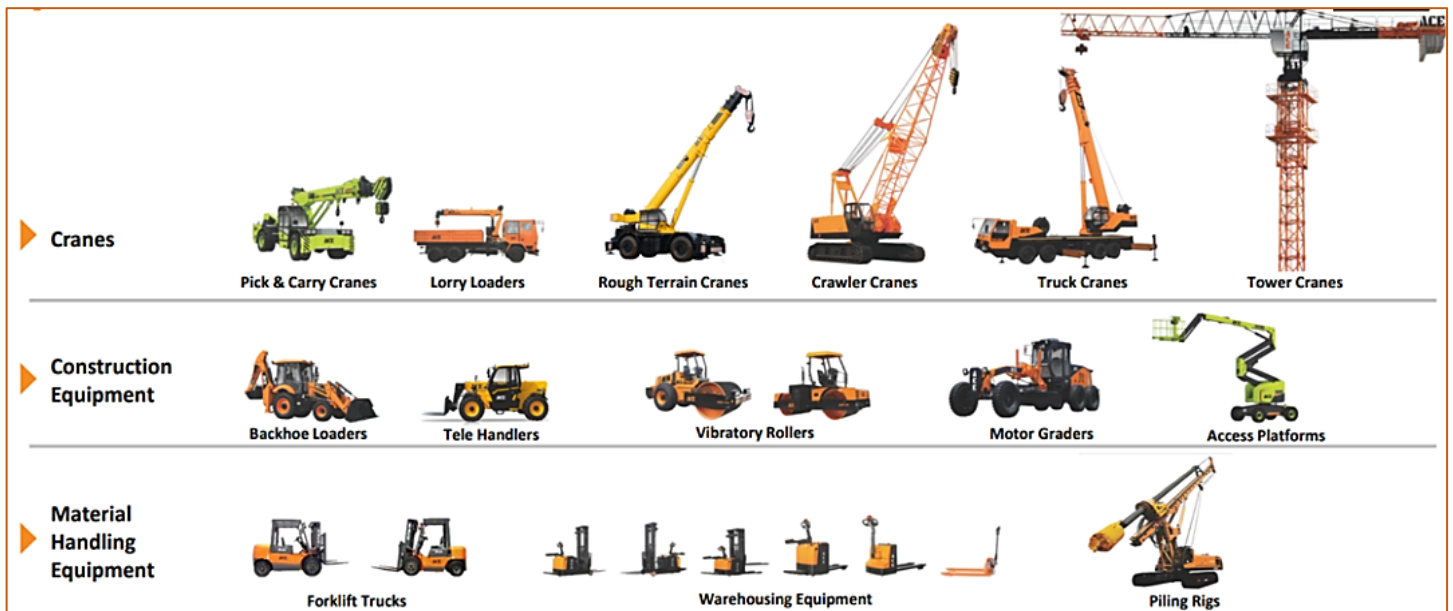
Business segments

ACE operates through two primary segments:

► Cranes, Construction Equipment & Material Handling

- Pick & carry cranes, crawler cranes, tower cranes, forklifts, backhoe loaders, compactors, road equipment put together comprise this segment. As a segment, **these products contributed close to 93% of FY25 revenue** i.e., Rs 30.9 bn, up 15.5% YoY.

Range of products across categories



Source: Company presentation

- These machines cater to infrastructure (roads, metros, housing), manufacturing (steel, cement, auto components), logistics/warehousing and defence requirements of India. **About 50% of sales go to retail customers and hiring companies, while the other 50% are to the industries.**
- The average re-buying cycle is 8-10 years; equipment is typically resold at 60-70% of original value after three years, which coincides with break-even for buyers.
- *Demand in FY25 was affected by pre-buying ahead of CEV-5 applicability and a slowdown in 1QFY25 due to elections followed by excessive rains in June and July in FY26.*
- **Market positioning**
 - ACE is the no.1 player in the **Pick & Carry cranes** in India as on date with **~63% market share** followed by Escorts.
 - In **Tower cranes**, it holds **~60% market share**, followed by Potain.
 - In **Material handling** (forklifts+) with a **~25% market share** it remains in the top 3 players category.

- In the **Construction equipment** segment (backhoe loaders), ACE has a **modest single-digit share** with the market dominated by JCB having close to 80% share in 40,000-unit annual TAM. 90% of backhoe loaders in the market are sold on finance, largely because of strong reliability associated with JCB products, especially after the failure of the reputed backhoe players' product back in 2000s', which impacted both buyers and financiers.

▶ **New products & technologies**

Defence – An emerging vertical

- The company **received its largest-ever defence order** for 1,121 rough terrain forklifts (telehandlers) worth Rs 4.2 bn in 4QFY25.
- The company has a three-year contract period. We expect it to book 10% of the total realisation from this contract in FY26.
- Competitive advantage for securing such esteemed orders lies in localised manufacturing and government push for indigenisation.



Source: Company presentation

• **Next gen Hydra cranes**

- Old gen PnC cranes contribute 60% to the PnC revenues where ACE has 75-80% market share, followed by the next gen Hydra cranes which contribute 40% to PnC share where ACE has ~50-55% market share. On a blended basis, ACE has ~63% market share in PnC cranes.
- The new gen cranes have several value-added features like air-conditioned cabins (as a default feature), enhanced telematics, and a Safe Load Indicator (SLI) that provides real-time alerts and can flash issues directly to remote technicians along with a remote error redressal system for which a patent has been filed.
- They also have an ergonomically placed operator cabin that can turn close to 110 degrees, compared to 55 degrees in the older cranes, providing a better viewing range to the operators. ACE manufactures these cabins in-house.
- With all these market first features, the **market share in PnC cranes is expected to rise to 70% in the medium-term.**

Old Hydra cranes



Source: Company, B&K Research

Next gen Hydra cranes



Source: Company, B&K Research

▶ Growth drivers

- Continued government thrust on highways, metros and real estate. Management expects government spending on infrastructure as a % of GDP to grow steadily in the medium-term.
- Modernization of warehousing/logistics hubs are driving the demand for forklifts and tower cranes.
- ▶ Exports are expected to rise to ~6-7% of FY26 revenue versus 4% in FY25, and along with defence, to account for ~15% of FY26 revenue.

▶▶ Agricultural equipment

- ▶ Products included are tractors, harvesters and attachments and put together have contributed to 7% of FY25 revenue at Rs 2.3 bn, an 8% YoY growth.

Range of Agri-machinery



- ▶ **Growth drivers** include the rising mechanisation due to rural labour shortage, government subsidies (PM Krishi Yojana), and availability of finance for purchasing equipment.
- ▶ **Market positioning:** ACE commands a low single-digit share in the overall tractor industry (dominated by players like Mahindra & Mahindra, TAFE & Escorts).
- ▶ Dispatches of agri-trucks were delayed due to GST transition issues.

Manufacturing footprint and capex

- ▶ ACE's manufacturing operations are concentrated in Haryana (Faridabad, Palwal), strategically located near NCR's industrial clusters.
- ▶ It operates multiple plants in Faridabad and a large integrated complex at Dudhola, Palwal which spans ~123 acres, of which 90 acres are currently utilised with an additional 105 acres under acquisition for future expansion.
- ▶ **It is the world's largest crane manufacturing facility ex-China with installed capacities standing at:**
 - ▶ 13,200 cranes per annum (including ~400 trucks and crawler cranes).
 - ▶ 2,700 forklifts and other material handling equipment.
 - ▶ 1,800 construction equipment units.
 - ▶ 9,000 units tractor capacity.

Range of old generation Hydra PnC cranes



Source: Company, B&K Research

Range of next-gen Hydra PnC cranes



Source: Company, B&K Research

- ▶ Current infrastructure supports revenue capacity of over Rs 50 bn per year, with 30-40% headroom available before major new investments are required.
- ▶ **Blended utilisation level was 70% in FY25**, providing scope to ramp-up volumes without significant immediate capex.
- ▶ All products have been upgraded to CEV-5 emission standards and AIS-160 Phase II safety norms, with plants employing modular manufacturing lines, automation and lean practices.
- ▶ Facilities are aligned with export-grade certifications, positioning ACE to grow its overseas contribution to 6-7% of FY26 revenues.
- ▶ **Planned capex of Rs 1 bn in FY26 will focus on modernisation and automation, while a larger expansion of Rs 2.5-3 bn is expected in FY27-28. Current asset turns of 7-8x shall fall to 5-6x post automation, albeit with higher margins.**

Robotic welding at the fabrication shop P3



Source: Company, B&K Research

Steel bending machine at the fabrication shop P3



Source: Company, B&K Research

Key observations

- ▶ Flexible manufacturing ability allows ACE to diversify into new product categories such as defence forklifts and electric/hybrid cranes within existing platforms.
- ▶ Emphasis on flexible lines and common platforms for multiple crane types optimizes labour and shopfloor usage.
- ▶ Lean manufacturing practices and enhanced automation have rightfully supported margin gains.

Guidance

- ▶ Management withdrew its guidance of **14-15% YoY growth in 1QFY26, due to the CEV-5 transition, pre-buying effect in FY25 end, and global uncertainties. They have withheld further guidance until 2QFY26**
- ▶ Demand is expected to normalise from 2QFY26, with a stronger recovery in 2HFY26 supported by festive season activity and steady infrastructure spending.
- ▶ Margins are, however, expected to remain healthy, in the 16-17% range.
- ▶ Over the medium-term, **management reiterated its vision of doubling revenues from FY22 levels, acknowledging that the target may be achieved by FY27 instead of FY26, given the recent slowdown.**
- ▶ Export share is expected to rise to 6-7% of revenue in FY26 versus 4% in FY25, with defence also targeted to contribute 5-7% over the medium-term, together forming about 14-15% of revenues in the near-term.

On Chinese dumping of Heavy-load cranes

- ▶ India predominantly relies on light to medium-capacity cranes in the Rs 2-2.5 mn price range, whereas China focuses on crawler cranes and truck cranes in the Rs 6-6.5 mn bracket.
- ▶ ACE sold only 50 heavy-load cranes in FY25, while the total market was about 900 cranes during the year. **China sells the heavy-load cranes at around 50% lower than the sustainable domestic pricing.**

Assembly of Crawler cranes at P8



Source: Company, B&K Research

ACX 750 Crawler Crane – 75T capacity



Source: Company, B&K Research

TM300 Truck Mounted Crane – 30T capacity



Source: Company, B&K Research

ACX 400 Crawler Crane – 40T capacity



Source: Company, B&K Research

- ▶ In FY25, around 1,300 heavy-load cranes were dumped into India from China, distorting pricing in that segment. *ACE had approached the government to levy anti-dumping duties to protect domestic manufacturers.*

- ▶ *The DGTR (on 22 September 2025) issued its final findings recommending **anti-dumping duty in the range of 24.9-52% on imports of heavy load cranes from China.***
- ▶ *The imposition of anti-dumping duty (ADD) of **24.9% (on Zoomlion and Hunan Zoomlion) and 52% on others in general on imports of crawler cranes (40-260 MT) and truck cranes (25-160 MT) from China is a material positive for Action Construction Equipment (ACE).***
- ▶ *Imports from China had expanded over **5.75x in FY24**, eroding ACE's market share to **~17%** and driving RoCE down to **-42%** in the period of investigation. With the ADD neutralising **70-80% of the injury margin**, ACE regains pricing power and protection from predatory undercutting.*
- ▶ *As the **sole large-scale domestic producer**, ACE is strategically positioned to capture incremental volumes, with capability up to **180 MT crawler and 100 MT truck cranes**. Market share is expected to improve to **35-40%**, almost doubling from POI levels. Higher volumes and normalised realisations should lift **capacity utilisation above 80%**, enabling margin expansion.*
- ▶ *This development strengthens ACE's competitive moat in the crane segment and aligns with the government's Make in India thrust. Overall, the ADD imposition is a significant structural positive, positioning ACE for **sustained volume growth, margin recovery and market leadership** in the domestic heavy load crane industry.*
- ▶ *Anti-dumping duties, once notified in the official gazette, are expected to last for five years with potential renewal for another five years. This is expected to be a key trigger for ACE in the medium term in the heavy load cranes segment where the margins are relatively more attractive. **ACE has the capacity to manufacture 400 heavy cranes and opening of this opportunity could unlock an addressable market of Rs 16-18 bn p.a.***
- ▶ *Management emphasised confidence in the long-term growth of the industries where these heavy load cranes find their application, citing rising infrastructure spending as a percentage of GDP to go up.*
- ▶ *ACE is also expecting the announcement of a PLI scheme for the construction equipment sector mandating considerable levels of indigenisation. **The PLI scheme and the imposition of anti-dumping duties are expected to boost ACE's market share, with close to 50% of the product portfolio likely to benefit.***
- ▶ *It is for this very reason that the operations of the new JV with Kato for heavy load cranes had been put on hold. It is now scheduled to begin operations in 3QFY26.*

Growth in the Defence sector

- ▶ *ACE is executing two tripartite defence orders: One in collaboration with DRDO and Tata for crane solutions, and another with Ashok Leyland and DRDO for recovery*

solutions, both of which are **fully customised for the army's operations in the high altitude and hilly regions.**

- ▶ The sale value of a defence crane solution is around Rs 7-8 mn per installation.
- ▶ **The company also has been supplying craning solutions for the Akash SAM missile rockets and for torpedo handling equipment. The usage of the same was proven effective in the recently conducted "Operation Sindoor".**
- ▶ Along with the above-mentioned rough terrain forklift orders, Defence currently contributes 3-4% of revenues and is expected to increase to 5-7% over the medium-term.

Craning solution for Indian Army's trucks



Source: Company PPT

Cost structure and BS-V norms

- ▶ The **CEV-V emission norms** came into force from **January 2025**, requiring ACE to upgrade most of its construction equipment portfolio.
- ▶ To meet compliance, **ACE raised prices by 12-13% on ~60% of its products and by 5-6% on the rest.** This triggered a significant pre-buying effect last year, as customers advanced purchases to avoid higher BS-V prices.
- ▶ For cranes, the engine and transmission account for 12-15% of the cost. Put together with the chassis and boom fabrication, the cost is ~60-70%, followed by hydraulics, operator cabin, tyres and other electronic equipment.
- ▶ As per the new emission norms, all cranes/construction/mining equipment must be transitioned to BS-V. Currently with the new BS-V engine norms kicking in, ACE purchases engines from TATA motors, Simpons (Amalgamation group), Ashok Leyland and other suppliers.
- ▶ **Management intends to produce a BS-V engine inhouse and is confident of developing the same given its successful experience with the development of BS-IV engines.**
- ▶ In tractors, the engine and transmission account for 30-35% of the bill of materials.

BS-V certification plate



Source: Company, B&K Research

Engines for the PnC Cranes



Source: Company, B&K Research

Outlook and Valuation

ACE is well placed to ride India's infrastructure cycle, supported by leadership in cranes, rising defence and export contributions, and strong cost structures. Near-term growth is tempered by the CEV-5 transition, but triggers such as anti-dumping duty on heavy cranes, defence orders, and the Kato JV provide incremental upside, while flexible manufacturing ensures scalability. Overall, ACE offers a balanced mix of steady core growth and emerging structural drivers. The stock is trading at 31x TTM earnings. We do not have rating on the stock.

Financial Summary (Consolidated)

Income Statement

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25
Net sales	16,296	21,597	29,138	33,271
<i>Growth (%)</i>	<i>32.8</i>	<i>32.5</i>	<i>34.9</i>	<i>14.2</i>
Raw material	(11,711)	(15,356)	(20,228)	(22,734)
Gross profit	4,585	6,241	8,910	10,536
Employee cost	(848)	(998)	(1,207)	(1,385)
Other expenditure	(2,222)	(3,035)	(3,671)	(4,094)
Other operating income	-	-	-	-
EBITDA	1,515	2,209	4,033	5,058
<i>Growth (%)</i>	<i>27.3</i>	<i>45.9</i>	<i>82.5</i>	<i>25.4</i>
Depreciation	(154)	(180)	(232)	(283)
Other income	108	411	771	1,003
EBIT	1,468	2,440	4,571	5,778
Finance cost	(95)	(103)	(232)	(287)
Exceptional income/(expense)	-	-	-	-
Profit before tax	1,373	2,338	4,339	5,491
Tax (current + deferred)	(323)	(608)	(1,057)	(1,399)
Profit/(loss) for the year	1,050	1,730	3,282	4,092
P/L of JV/A, minority interest	-	14	-	-
Reported profit/(loss)	1,050	1,744	3,282	4,092
Adjusted net profit/(loss)	1,050	1,744	3,282	4,092

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25
Share Capital	238	238	238	238
Reserves & surplus	7,303	8,947	12,060	15,909
Shareholders' funds	7,541	9,186	12,298	16,147
Minority interest	2	16	17	17
Long-term borrowings	-	-	-	-
Other non-current liabilities	170	167	131	129
Total non-current liab.	170	167	131	129
Short-term borrowings	292	62	39	148
Trade payables	4,127	5,009	6,880	8,086
Other current liabilities	691	1,557	2,327	2,581
Total current liabilities	5,110	6,629	9,246	10,815
Total (Equity & Liab.)	12,824	15,997	21,692	27,108
Fixed assets (net block)	4,642	5,004	6,068	7,296
Non-current investments	920	1,483	2,409	5,426
Other non-current assets	234	397	487	1,211
Non-current assets	5,796	6,883	8,964	13,933
Cash and cash equivalents	143	490	1,104	555
Inventories	3,334	4,185	5,534	5,151
Trade receivables	1,887	1,693	1,643	2,647
Other current assets	1,664	2,747	4,447	4,823
Current assets	7,028	9,115	12,728	13,176
Total (Assets)	12,824	15,997	21,692	27,108

Cash Flow

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25
Profit before tax	1,373	2,338	4,339	5,491
Depreciation	154	180	232	283
Change in working capital	253	1,116	1,001	560
Total tax paid	(972)	(594)	(881)	(1,419)
Others	(13)	(308)	(539)	(717)
CF from operations (a)	795	2,732	4,153	4,199
Capital expenditure	(497)	(541)	(1,297)	(1,510)
Change in investments	(740)	(1,129)	(1,577)	(60)
Others	(697)	(314)	(246)	(2,738)
CF from investing (b)	(1,935)	(1,984)	(3,120)	(4,308)
Free cash flow	298	2,191	2,855	2,688
Equity raised/(repaid)	11	-	-	0
Debt raised/(repaid)	(250)	(230)	(23)	109
Dividend (excl. tax)	-	-	-	(119)
Others	1,156	(171)	(395)	(405)
CF from financing (c)	917	(401)	(418)	(440)
Net chg in cash (a+b+c)	(222)	347	615	(549)

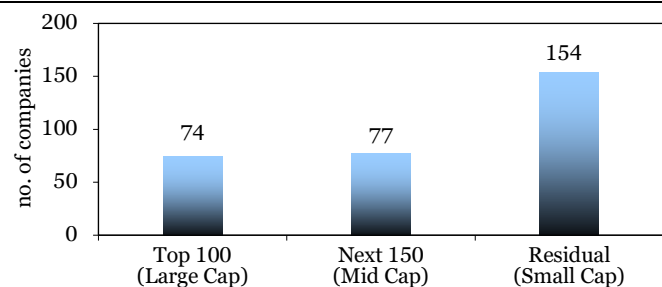
Key Ratios

Y/E Mar (%)	FY22	FY23	FY24	FY25
Adjusted EPS (Rs)	8.8	14.6	27.6	34.4
<i>Growth</i>	<i>25.4</i>	<i>66.1</i>	<i>88.2</i>	<i>24.7</i>
Book NAV/share (Rs)	63.3	77.1	103.3	135.6
Dividend payout ratio	-	-	-	3.5
Gross margin	28.1	28.9	30.6	31.7
EBITDA margin	9.3	10.2	13.8	15.2
EBIT margin	9.0	11.3	15.7	17.4
Tax rate	23.5	26.0	24.4	25.5
RoCE	21.0	28.0	41.7	39.9
RoE	16.4	20.8	30.6	28.8
RoIC (post-tax)	20.2	32.0	65.1	71.9
Net debt/equity (x)	(0.1)	(0.3)	(0.4)	(0.3)
Net debt/EBITDA	(0.6)	(1.2)	(1.2)	(0.8)
Fixed asset turnover (x)	1.4	1.5	1.5	1.4
Net working capital days	43.0	42.0	43.6	25.9

Valuations

Y/E Mar (x)	FY22	FY23	FY24	FY25
P/E	130.4	78.5	41.7	33.5
P/B	18.2	14.9	11.1	8.5
Dividend yield (%)	-	-	-	0.1
OCF yield (%)	0.6	2.0	3.0	3.1
EV/EBITDA (x)	89.9	60.8	32.8	26.3
EV/Sales	8.4	6.2	4.5	4.0

B&K Universe Profile – by AMFI Definition



B&K Investment Ratings

	LARGE CAP (Market Cap > US\$ 2 bn)	MID & SMALL CAP (Market Cap < US\$ 2 bn)
BUY	>+15%	>+20%
HOLD	+15% to -10 %	+20% to -15 %
SELL	<-10%	<-15%

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